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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southwest Gas Corporation for Authority to Change Rates and Charges for Gas Service effective on January 1, 2009 (U 905 G)

Application 07-12-022
(Filed December 21, 2007)

**MOTION OF SOUTHWEST GAS CORPORATION
FOR LEAVE TO SUBMIT PREPARED SUPPLEMENTAL DIRECT TESTIMONY**

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February 5, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southwest Gas Corporation for Authority to Change Rates and Charges for Gas Service effective on January 1, 2009 (U 905 G)

Application 07-12-022
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**MOTION OF SOUTHWEST GAS CORPORATION
FOR LEAVE TO SUBMIT PREPARED SUPPLEMENTAL DIRECT TESTIMONY**

In accordance with Rules 11.1 and 13.8 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), Southwest Gas Corporation ("Southwest") respectfully moves for leave to submit the attached Prepared Supplemental Direct Testimony of Edward B. Giesecking in the above-captioned proceeding.

I. BACKGROUND

On December 21, 2007, Southwest submitted its Application for Authority to Change Rates and Charges for Gas Service effective January 1, 2009 (the "Application"). Consistent with the Energy Utility Rate Case Plan outlined in the Commission's Decision (D.)07-07-004, and Rule 13.8, Prepared Testimony, Southwest served copies of its Prepared Direct Testimony in support of its Application, including that of Mr. Giesecking, on the Division of Ratepayer Advocates and the Chief Administrative Law Judge, concurrent with the filing of its Application. The Application was assigned to Administrative Judge ("ALJ") Kim Malcolm and a prehearing conference has been set for February 7, 2008. The Division of Ratepayer Advocates is the only party to the proceeding as of the date of this motion.

In his Prepared Direct Testimony, Mr. Giesecking proposed consolidation of Southwest's Noncore and Core Fixed Cost Adjustment Mechanisms into a single Fixed Cost Adjustment Mechanism ("FCAM") for recovery of the differences between actual revenues collected from customers and authorized revenues, as well as re-establishing a fixed cost adjustment mechanism for Southwest's recently-acquired South Lake Tahoe rate jurisdiction. (Giesecking Direct at 8-10)

In describing the proposed FCAM, the direct testimony did not specifically address the accounting methods and mechanics of the actual calculations that would be performed to determine the required adjustments under the FCAM. In order to assist the Commission and the parties in evaluating the proposed FCAM, the Prepared Supplemental Direct Testimony addresses these accounting procedures and calculations for the proposed FCAM and will help avoid additional direct examination of Mr. Giesecking on this subject if this matter is ultimately set for evidentiary hearings.

II. SOUTHWEST SHOULD BE PERMITTED TO SUBMIT MR. GIESECKING'S PREPARED SUPPLEMENTAL TESTIMONY

Southwest should be permitted to submit Mr. Giesecking's Prepared Supplemental Direct Testimony insofar as it is both necessary and appropriate to provide this additional detail for a proper evaluation of Southwest's proposal. Also accompanying Mr. Giesecking's testimony is an exhibit in the form of proposed tariff sheets illustrating the proposal that would replace similar pages submitted in Chapter 21 of Southwest's Application.

No party will be prejudiced by submission of Mr. Giesecking's supplemental direct testimony. No procedural calendar or scoping memo has been issued for the Application and evidentiary hearings, if any, are not anticipated until the summer of 2008. DRA is still conducting its audit and review of Southwest's Application at this stage. Thus, parties will have ample time to review this narrowly-focused supplemental direct testimony before Mr. Giesecking would be scheduled to take the stand in this proceeding.

Submission of the supplemental direct testimony is likely to benefit the Commission and the parties. Admitting the supplemental direct testimony may tend to lessen the need for additional oral direct testimony or cross-examination of Mr. Giesecking and thus expedite any contemplated evidentiary hearings.

III. CONCLUSION

For all the above reasons, Southwest respectfully requests the Commission grant its

Motion and permit submission of the Prepared Supplemental Direct Testimony of Edward B. Giesecking in support of Southwest's Application 07-12-022.

Consistent with Rule 13.8, copies of the Prepared Supplemental Direct Testimony will be served on ALJ Malcolm and the DRA, concurrently with this Motion.

Dated at Las Vegas, Nevada this 5th day of February, 2008.

SOUTHWEST GAS CORPORATION

/s/ Keith A. Brown

Keith A. Brown

Associate General Counsel

Legal Affairs

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VERIFICATION

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

I, EDWARD B. GIESEKING, am the Director of the Pricing and Tariffs Department of the applicant corporation herein. The statements in the Prepared Supplemental Direct Testimony are true and correct to the best of my own knowledge, except as to matters that are stated on information or belief, and as to those matters I believe them to be true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 5th day of February, 2008 at Las Vegas, Nevada.

/s/ Edward B. Giesecking

Edward B. Giesecking
Director, Pricing and Tariffs

SUBSCRIBED AND SWORN to before me

this 5th day of February, 2008.

/s/ Jackie Dee Allsop

Notary Public

IN THE MATTER OF
SOUTHWEST GAS CORPORATION
Application No. 07-12-022

PREPARED SUPPLEMENTAL DIRECT TESTIMONY
OF
EDWARD B. GIESEKING

ON BEHALF OF
SOUTHWEST GAS CORPORATION

February 5, 2008

Southwest Gas Corporation
California Rate Jurisdictions
Application No. 07-12-022

BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION

Prepared Supplemental Direct Testimony
of
EDWARD B. GIESEKING

Q. 1 Please state your name and business address.

A. 1 My name is Edward B. Giesecking. My business address is
5241 Spring Mountain Road; Las Vegas, Nevada 89150-0002.

Q. 2 Are you the same Edward B. Giesecking who submitted the
prepared direct testimony in this case?

A. 2 Yes I am.

Q. 3 What is the purpose of your prepared supplemental direct
testimony in this proceeding?

A. 3 The purpose of this testimony is to discuss a proposed
change to Southwest's fixed cost adjustment mechanism
(FCAM) monthly accounting procedure.

Q. 4 Please describe Southwest's current annual margin
accounting procedure.

A. 4 Under the current accounting procedure, one-twelfth of
annual authorized margin is credited to the fixed cost
accounts each month. Using this procedure results in
significant mismatch between the actual and authorized
margin accounted for each month.

Q. 5 What accounting change is Southwest proposing?

A. 5 Southwest is proposing that authorized margin be
accounted for reflecting the monthly seasonal variation

1 in margin recovery with more margin being credited to the
2 fixed cost account during the colder months and less in
3 the warmer months to better reflect the seasonal nature
4 of Southwest's revenue stream. Exhibit I to my testimony
5 contains the proposed tariff sheets outlining the
6 proposed accounting change. These tariffs sheets would
7 replace the tariff sheets for the Fixed Cost Account
8 Mechanism included in Chapter 21 in Volumes II-A, II-B,
9 and II-C of the Application.

10 Q. 6 Why is Southwest proposing this change?

11 A. 6 A seasonal margin accounting method will better match the
12 authorized revenue stream compared to the current one-
13 twelfth annual margin accounting method and improve the
14 accuracy of Southwest's financial statements.

15 Q. 7 Does this conclude your prepared supplemental direct
16 testimony?

17 A. 7 Yes, it does.

PRELIMINARY STATEMENTS

(Continued)

9. FIXED COST ADJUSTMENT MECHANISM (FCAM)

9A. PURPOSE

The purpose of the FCAM is to balance the difference between authorized levels of Southwest Margin, recorded Upstream Storage Charges, and Interstate Reservation Charges with recorded revenues intended to recover these costs.

9B. APPLICABILITY

This FCAM provision applies to bills for service under all core rate schedules in the Company=s California service areas.

9C. REVISION DATE

The Company shall submit an annual Post Test Year Rate Adjustment filing to adjust the Southwest Margin component of this provision, and shall file to adjust the Upstream Storage Charge and Interstate Reservation Charge rates for this provision as often as necessary to ensure that effective rates reflect projected costs. The Company shall file periodically to update the Fixed Cost Balancing Account Adjustment, which will include a margin balancing component to clear over- and under-recoveries of authorized margin.

9D. FORECAST PERIOD

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision Date, as specified in the Company=s most recent general rate case.

9E. FIXED COST BALANCING ACCOUNT ADJUSTMENT

The Fixed Cost Balancing Account Adjustment shall consist of an amount necessary to recover or return the amount accumulated in the Fixed Cost Adjustment Mechanism and shall be determined by dividing the balance in the account at the end of the latest available month at the time of filing by the total volumes of gas estimated to be delivered to customers during the Forecast Period. The Fixed Cost Balancing Account Adjustment shall be as set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENTS
(Continued)

9. FIXED COST ADJUSTMENT MECHANISM (FCAM) (Continued)

9F. ACCOUNTING PROCEDURE

1. Separate accounts will be maintained for the Company's Southern California, Northern California and South Lake Tahoe service areas. The Company shall make the following entries to the FCAM Balancing Accounts at the end of each month:

- a. A debit entry equal to the monthly portion of Southwest's annual margin, as reflected below;
- b. A debit entry equal to the actual cost of reservation charges and storage charges for the month; and
- c. A credit entry equal to the amount calculated by multiplying Southwest's Margin Charges, reservation charges, storage charges, and the Fixed Cost Balancing Account Adjustment components of the currently-effective tariff rates, excluding adjustments for franchise taxes and uncollectible accounts expense, by the applicable volumes delivered during the month.

Amounts related to reservation charges and storage charges will be recorded in a subaccount of the Purchased Gas Adjustment Account (191.0). Amounts related to margin balancing will be recorded in a miscellaneous Current and Accrued Asset Account (174.0).

PROPOSED TARIFF SHEET

Exhibit No. (EBG_1)
Sheet 3 of 3

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
California Gas Tariff

Revised Cal. P.U.C. Sheet No. -G
Canceling Revised Cal. P.U.C. Sheet No. -G

PRELIMINARY STATEMENTS

(Continued)

9. **FIXED COST ADJUSTMENT MECHANISM (FCAM)** *(Continued)*

9F. **ACCOUNTING PROCEDURE** *(Continued)*

ANNUAL 2009 MARGIN

	<u>Southern California</u>	<u>Northern California</u>	<u>South Lake Tahoe</u>
January	\$ 9,322,201	\$ 2,257,373	\$ 842,157
February	\$ 8,305,404	\$ 2,098,989	\$ 775,509
March	\$ 7,489,214	\$ 1,952,248	\$ 730,518
April	\$ 5,638,062	\$ 1,545,776	\$ 609,138
May	\$ 4,155,877	\$ 1,099,455	\$ 484,780
June	\$ 3,242,548	\$ 731,001	\$ 336,087
July	\$ 2,703,480	\$ 535,493	\$ 265,618
August	\$ 2,534,353	\$ 464,328	\$ 239,380
September	\$ 2,694,099	\$ 519,507	\$ 266,934
October	\$ 2,971,213	\$ 665,087	\$ 339,803
November	\$ 4,525,023	\$ 1,212,452	\$ 511,663
December	\$ 8,073,830	\$ 1,978,905	\$ 745,732
<u>Total</u>	<u>\$ 61,655,304</u>	<u>\$ 15,060,614</u>	<u>\$ 6,147,319</u>

2. An entry to record interest on the Fixed Cost Balancing Account balance after entry (1) above, calculated as set forth in Section 12B of these Preliminary Statements.

Advice Letter No. A.07- -
Decision No.

Issued by
John P. Hester
Senior Vice President

Date Filed
Effective
Resolution No.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing **MOTION FOR LEAVE TO SUBMIT PREPARED SUPPLEMENTAL DIRECT TESTIMONY** upon the individuals on the attached service list by mailing a properly addressed copy by first-class mail with postage prepaid, by delivery by courier service, or by transmitting by electronic means with the document attached.

Dated this 5th day of February, 2008 at Las Vegas, Nevada.

/s/ Valerie J. Ontiveroz

An employee of Southwest Gas Corporation

SERVICE LIST
A.07-12-022
Last Updated: January 30, 2008

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